



Directorate of  
Intelligence

**MASTER FILE COPY**

**DO NOT GIVE OUT  
OR MARK ON**

~~Secret~~

25X1



## Africa Review

25X1

11 January 1985

~~Secret~~

ALA AR 85-001  
11 January 1985

Copy

349

**Page Denied**

Secret

25X1

## Africa Review

25X1

11 January 1985

Articles		Page	
	<b>South Africa: Implications of the Drought</b>	1	25X1
	A possible fourth consecutive year of severe drought in South Africa's corn-growing region could lead Pretoria to seek increased borrowing from foreign lending institutions and impose austerity measures to reduce consumer spending, while causing greater hardships for the country's black majority.		25X1
	<b>Ethiopia: Moving Ahead With Resettlement Plans</b>	3	25X1
	Despite opposition from Western donors and peasants in northern Ethiopia, the Mengistu government is proceeding, with Soviet help, to implement its controversial program for resettling large numbers of peasants from the drought-stricken north in more fertile land in southern Ethiopia.		25X1
	<b>African Rice Outlook: Difficult Years Ahead</b>	7	25X1
	The demand for rice in African countries, fueled by rapid population growth and heavy migration to the cities, is causing economic and political problems for African governments by necessitating large-scale imports at a time when supplies of rice available on the world market are becoming tight and prices are growing more volatile.		25X1
	<b>Guinea-Bissau: Looking Westward</b>	11	25X1
	A need for aid for its deteriorating economy has caused Guinea-Bissau to give freer rein to private enterprise and seek improved relations with potential Western donors, but the regime's internal divisions are likely to preclude the complete abandonment of socialist ideology or the elimination of Soviet influence.		25X1

Secret

25X1

**Zimbabwe: Election Dilemma**

19

25X1

25X1

Prime Minister Mugabe's government is divided over the question of whether to delay national elections, required under the Constitution by April 1985.

25X1

**Angola: Luanda Draws Closer to Belgrade**

21

25X1

25X1

President dos Santos visited Yugoslavia twice last year as part of a concerned effort to strengthen Luanda's relations with Belgrade.

25X1

**Briefs****Nigeria: Even More Austerity**

23

25X1

**Angola: Ruling Party Conference**

23

25X1

25X1

*Articles have been coordinated as appropriate with other offices within CIA.  
Comments and queries regarding this publication may be directed to the Chief,  
Production Staff, Office of African and Latin American Analysis.*

25X1

25X1

Secret

## Articles

---

**South Africa: Implications  
of the Drought** 

25X1

South Africa may face a fourth consecutive year of severe drought in its corn-growing region, according to US Embassy and press reports. Rainfall during the next couple of weeks will be critical to determining the size of the 1985 corn harvest, which fell from a peak of 15 million metric tons in 1981 to only 4 million each in 1983 and 1984. Another year of drought would have serious economic implications:

- Reduced foreign currency earnings that, in the absence of higher gold prices, could lead South Africa to seek a new IMF standby loan and increased borrowing from Western banks.
- Continued high interest rates and other austerity measures aimed at reducing consumer spending in order to cut imports and conserve foreign currency.
- New pressures on the government's budget as a result of drought-related expenditures.
- Increased black unemployment and greater hardships for impoverished rural homelands.

**Southern African Food Imports**

Drought in southern Africa has made the region dependent on food imports. South Africa has been the dominant corn producer and exporter in the region, with Zimbabwe a distant runner-up. Until 1983, Pretoria had large surpluses available for export. About 4 million tons were exported from South Africa's 1982 crop, compared with 5 million tons in 1981 and 3 million tons in 1980. The US Embassy estimates that about one-third of these sales were to black Africa.

Because of drought, Pretoria has been forced to cancel major export contracts for deliveries of corn and wheat outside Africa. Moreover, it has suspended sales to traditional customers such as Zambia and

Zaire. South Africa has continued to supply corn at market rates to Botswana, Lesotho, and Swaziland, all of which it treats as part of its domestic corn market. Nevertheless, peasants in these countries who lack cash for purchases have been forced to rely on aid programs.

**Foreign Currency Earnings**

South Africa has lost corn exports that earned up to \$500 million annually before the drought, according to government statistics. We estimate that importing 3 million tons of corn in 1984, along with the loss of normal foreign corn sales, lowered South Africa's current account surplus by \$800 million, or about 8 percent of total 1984 export earnings.

South Africa's foreign currency earnings from corn exports have been small compared with gold, which accounts for 40 percent of export earnings. Nevertheless, the impact of another 4-million-ton corn harvest on foreign currency earnings would be equivalent to a \$40 per ounce drop in the gold price for one year. Meanwhile, prospects for a significant gold price recovery during 1985 appear slim. In fact, the price of gold has fallen from \$340 per ounce in October to about \$300 this week, down from a peak of over \$800 in 1980.

In the absence of a higher gold price and an end to the drought, South Africa probably will sharply increase its foreign borrowing in 1985 to avoid draining foreign currency reserves. Even though economic decision makers in Pretoria probably are concerned about the

Secret

increase in the foreign debt from about \$7 billion in 1980 to more than \$15 billion at present, we believe South Africa will turn to Western banks for increased public and private borrowing as it has in the past. In our judgment, Pretoria also will continue to participate in a long-established practice of "swapping" gold with European banks in order to bring in foreign exchange. Under this system, Pretoria sells gold from its stocks at discount prices with a commitment to repurchase the gold in the future at a premium. Moreover, Pretoria may approach the IMF for another standby loan, as it did in 1982 under similar circumstances.

#### **High Interest Rates and Deep Recession**

Pretoria imposed austerity measures in 1984 to conserve foreign currency by reducing consumer demand and thus limiting imports. These austerity measures included credit restrictions, a sharp increase in sales taxes, and prime interest rates as high as 25 percent.

Only an end to the drought and a sharp increase in the gold price would convince policymakers to reduce significantly the prime interest rate and ease credit restrictions. Otherwise, we doubt that economic growth in South Africa will exceed 1 or 2 percent this year. Moreover, if the drought continues and the gold price falls below \$300 per ounce in 1985, several private South African economists have predicted negative economic growth and prime interest rates even greater than recent record levels.

#### **New Budgetary Pressures**

Government expenditures resulting from a continuation of the drought would undermine Pretoria's efforts to trim government spending. Many of South Africa's commercial farmers will go bankrupt unless the government provides substantial assistance. Corn and sugarcane farmers have been hit hard by drought and high interest rates. According to press reports, farmers in the affected areas of the Orange Free State and western Transvaal Province will need normal or better-than-normal crops through 1994 to pay off their record level of debt. Despite warnings that the government cannot bail farmers

out, we believe the importance of its rural constituency ensures that the ruling National Party will provide the financial assistance necessary to avoid major long-term damage to commercial agriculture.

#### **Impact on the Black Majority**

Continued drought would again cause serious food shortages for residents of rural black homelands, especially in eastern Transvaal Province. Three years of drought have decimated cattle herds in Venda, Gazankulu, and Lebowa. The rural population has become increasingly dependent on emergency feeding programs run by voluntary organizations. Recent experience has shown that private resources are inadequate to avoid malnutrition in some areas. Moreover, drought and recession-related problems are compounded by Pretoria's policy of resettling unemployed blacks in already overcrowded homelands.

Another year of drought also would add to the economic problems facing urban blacks by increasing black unemployment and reducing Pretoria's ability to address key issues such as the cost and quality of housing and services in black townships, and the inferiority of education for blacks. The white middle class, hit hard by inflation and the austerity measures, will resist new spending on nonwhites. Despite government plans to divert tax revenues to local black authorities, some cost increases for township services probably still will be passed on to urban blacks.



25X1

Secret

## Ethiopia: Moving Ahead With Resettlement Plans

25X1

The Mengistu government, with Soviet assistance, has met its initial goal of resettling approximately 250,000 peasants from the drought-stricken areas of northern Ethiopia within two months. Serious problems in the resettlement program have arisen, however, reportedly forcing the government to divert civilian officials from drought-related projects. Despite the present refusal of most Western states to support the controversial program, largely because the scheme appears politically motivated, Addis Ababa probably calculates that its successful implementation will undercut Western opposition.

### Goals of the Campaign—Stated and Unstated

The Mengistu government has maintained consistently that the movement of peasants to fertile, underutilized areas of Welega, Ilubabor, and Kefa Provinces is intended to enhance Ethiopia's food production and to break the cycle of drought and famine in the north by thinning out the population. The regime has emphasized that land in drought-affected areas, especially in Tigray Province, is overworked and suffers from deforestation and soil erosion. The government's argument is valid since we estimate that food production in the north, even under optimum conditions, could not feed the approximately 8 million people who live there.

We concur, however, with the assessment of the US Embassy and several other Western embassies that the Mengistu regime also has basic political motivations for moving the peasants out of Tigray, Welo, and Gonder Provinces. The most important of these is to cripple the Tigrean insurrection, which is heavily dependent on the local population for recruits, food, intelligence, and logistic support. Addis Ababa employed a similar tactic in the Ogaden region in the late 1970s when it attempted to replace hostile Somali and Oromo populations with Tigrean and Amhara peoples.

The regime also is using the resettlement program to break the back of northern peasant resistance to the establishment of collective farms and peasant associations, devices used by the regime as a means of political and economic control. According to several government spokesmen, Addis Ababa intends to encourage the establishment of collective farms in the south as soon as possible, although the settlers will initially be allowed to farm individual plots.

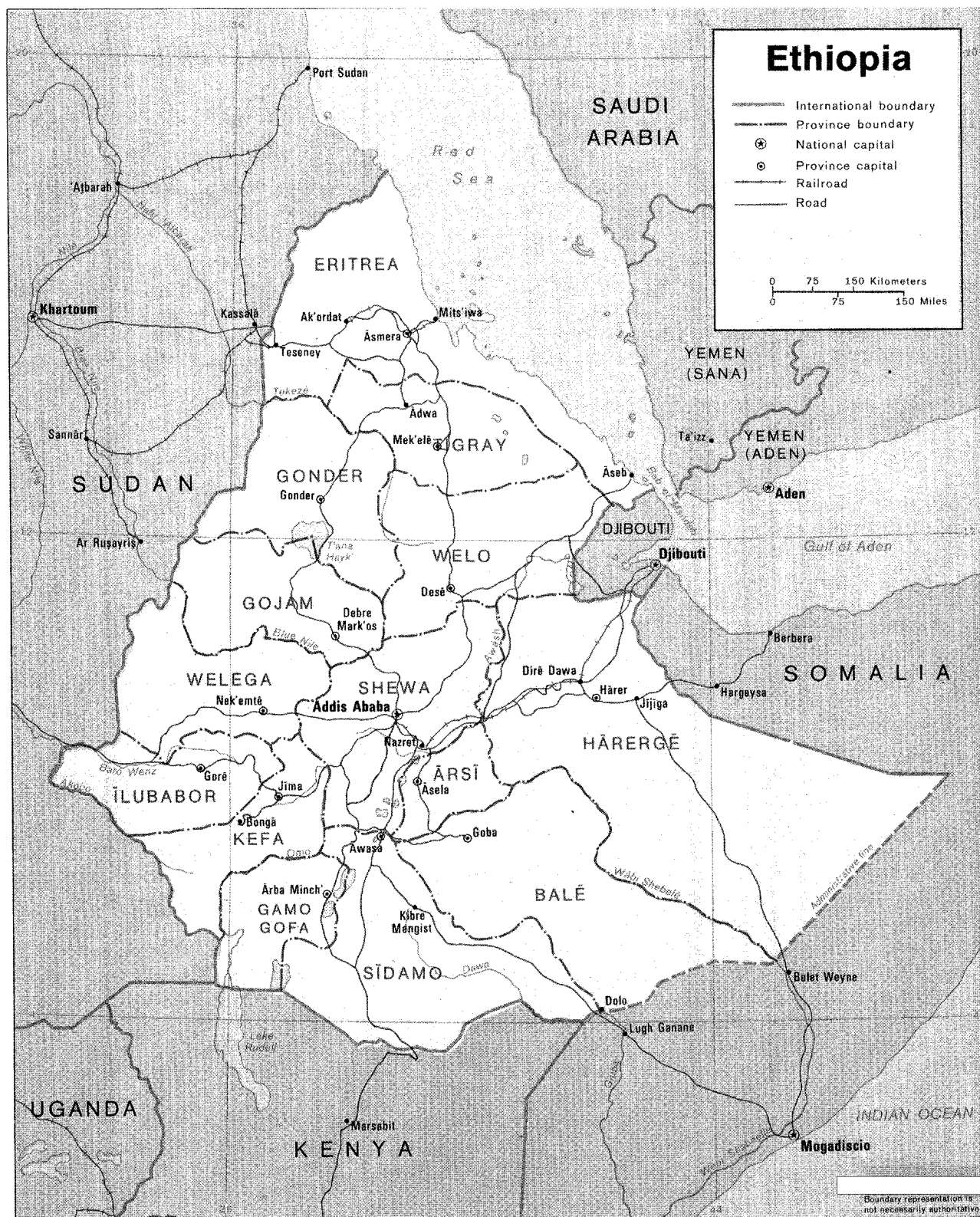
### Obstacles to Resettlement

The Ethiopian Government overcame a major hurdle when Moscow agreed to provide aircraft and crews to move settlers from the north. The Soviets also have provided some medical teams and equipment to care for the settlers in the relocation areas.

Addis Ababa still faces a number of serious problems in implementing its plan. According to several observers, many of the settlers are sick and demoralized when they reach their new homes. There is inadequate medical care, food, facilities, and equipment to help them establish themselves in their new environment. In addition, they are faced with lowland diseases—such as malaria—for which they, as highlanders, have little, if any, resistance.

Many of the new settlers are not volunteers, according to the US Embassy, despite the government's claim to the contrary. There have been several reports of pressure on refugees in relief camps to participate. Government claims that family units are kept intact have been contradicted by several observers in settlement areas. They report a noticeable lack of older people, and there is some evidence that only the physically fit are being transferred.

The morale of the northerners is eroded further by contact with alien cultures, since the local population speaks a different language and has different customs and religion. In addition, the settlers are faced with



25X1



Secret

learning new farming methods and cultivating unfamiliar crops. [ ] the impact of this on an extremely conservative peasantry has been great. Disillusionment is such that, [ ]

[ ] Addis Ababa has been forced to use the military to prevent settlers from attempting to return to their ancient homelands. [ ]

[ ] the indigenous population in the south resents the influx of hundreds of thousands of northerners. In addition to providing assistance to the new arrivals, traditional grazing lands are, in some cases, being turned into farmland. Moreover, the settlement areas are inhabited primarily by Oromos—the historical enemies of the Tigreans and Amharas who make up the vast majority of the new arrivals. [ ]

Opposition to the resettlement program apparently has caused many Tigreans to avoid government relief camps in the north or to flee to Sudan. The Tigrean insurgent group active in the area has encouraged this development to prevent the permanent disruption of its support base. The rebels also have attacked some of the vehicle convoys carrying settlers south in an effort to disrupt the program. It is likely that the guerrillas have been able to recruit additional troops as a result of the resettlement campaign, but their ability to absorb large numbers is hindered by a shortage of weapons and other support equipment. [ ]

#### Prospects

Despite growing problems, the regime appears determined to continue the resettlement program as long as the Soviet Union provides transportation assistance. Ethiopia is mounting a propaganda campaign, with Soviet support, to deflect Western criticism and acquire outside support to overcome the program's basic structural problems. We believe Addis Ababa calculates that, when presented with a fait accompli, the West eventually will provide aid for the settlers rather than face the prospect of massive deaths among them. According to the US Embassy, the Catholic Church already has decided to provide medical assistance for resettled refugees. A church

spokesman has stated that resettlement is an ill-conceived venture with many abuses, but the church has no choice but to assist the suffering. The US Embassy also believes that Australia is leaning toward providing assistance. [ ]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

## African Rice Outlook: Difficult Years Ahead

25X1

Policies designed to make cheap rice available in the cities are creating political and economic dilemmas for governments throughout Africa in the absence of accompanying programs that encourage greater domestic production. The demand for rice, fueled by rapid population growth and heavy migration to the cities, outpaces production every year and has caused African import levels to quadruple in the last decade. Although many impoverished African governments would like to impose stringent cutbacks in rice imports, few have been successful. African countries will need to import nearly 3 million tons of rice in 1985—about one-fourth of the volume expected to enter international trade, according to USDA estimates. At the same time, Asian export supplies of the low- and medium-quality rice preferred by most African consumers are expected to become tight and prices more volatile. The United States, as the only rice supplier holding large stocks of exportable rice, will be pressured this year to increase concessional rice sales, as well as food aid donations.

### Stagnating Production in 1985

According to USDA estimates, 1985 African production will remain at last year's level, about 5.6 million metric tons, largely as a result of an unexpected decline in the Egyptian crop. According to Embassy reports, Egypt, the largest producer, will have a harvest of 1.49 million tons, down 9 percent from last year as a result of increased urbanization in the main producing area as well as an almost total failure of the high-yielding variety crop. Slight production gains are expected in southern West Africa—Guinea, Ivory Coast, Ghana, and Nigeria—where the drought has begun to ease. Recovery will be limited, however, by low river and reservoir levels, according to Embassy reporting

**Table 1**  
**Rice as a Food Staple in Selected**  
**African Countries, 1984**

	Percent of Daily Caloric Intake
Madagascar	58
Sierra Leone	43
Guinea-Bissau	42
Liberia	42
The Gambia	38
Mauritius	31
Guinea	30
Comoros	28
Senegal	24
Ivory Coast	23
Nigeria	14
Egypt	12
Mali	11
Tanzania	4
Mozambique	3
Angola	3
Somalia	3
Ghana	3

25X1

25X1

In many individual countries where rice is a staple food item, the weather continues to damage local rice crops:

- *Madagascar.* Despite increased plantings and yields, the July harvest was cut slightly by spring cyclones and flooding. Embassy reporting indicates that the crop now being planted also may be

25X1

Secret

ALA AR 85-001  
11 January 1985

Secret

**Table 2**  
**African Rice Supply, 1970-85**

Million metric tons, milled

	1970	1975	1980	1981	1982	1983	1984	1985 <sup>a</sup>
<b>Total production</b>	<b>4.713</b>	<b>4.755</b>	<b>5.434</b>	<b>5.510</b>	<b>5.270</b>	<b>5.710</b>	<b>5.600</b>	<b>5.630</b>
<b>Total consumption</b>	<b>4.705</b>	<b>5.327</b>	<b>7.380</b>	<b>7.705</b>	<b>8.104</b>	<b>8.414</b>	<b>8.300</b>	<b>8.650</b>
<b>Total imports</b>	<b>0.734</b>	<b>0.677</b>	<b>2.242</b>	<b>2.605</b>	<b>3.062</b>	<b>2.988</b>	<b>2.695</b>	<b>2.950</b>
Including:								
Nigeria	0.001	0.006	0.394	0.686	0.666	0.711	0.450	0.450
Ivory Coast	0.079	0.002	0.257	0.335	0.363	0.434	0.350	0.350
Senegal	0.119	0.102	0.280	0.322	0.370	0.362	0.375	0.350
Madagascar	0.020	0.057	0.177	0.191	0.357	0.185	0.100	0.100
Mozambique	0.001		0.074	0.068	0.087	0.120	0.130	0.130
Sierra Leone	0.050		0.080	0.056	0.112	0.090	0.070	0.100
Liberia	0.049	0.031	0.086	0.095	0.090	0.102	0.075	0.065

<sup>a</sup> Estimated.

affected because irrigation dikes and rural roads were damaged.

- *Sierra Leone*. Late and diminished rainfall reduced the crop by about 7 percent from the record 1984 harvest, according to USDA estimates.
- *Mozambique*. Although the drought eased somewhat in June, prolonged water shortages will hold 1985 production to about half the level of 10 years ago, according to USDA estimates.
- *Zambia*. Drought will hold Zambian production to the level of the last two years—less than half the amount that is needed, according to USDA estimates.

The advances in rice productivity achieved in Asia since the mid-1970s are constrained in Africa by the variability and scarcity of rainfall over much of the continent. New high-yielding varieties responsible for greatly increased yields in *India*, *Burma*, and *Thailand* require a more consistent water supply than traditional varieties, and do not grow well in Africa.

Research on seeds better adapted to African climatic conditions is going slowly.

Throughout most of rice-producing Africa, misguided and inconsistent government farm policies and lack of funds for fertilizer, irrigation networks, and rural roads also play important roles in rice production deficits. African farmers, traditionally conservative because of the risky African climate, require strong incentives to move from subsistence farming to cash crop production. African governments often have not provided such incentives as guaranteed prices and input subsidies.

#### Soaring Consumption

Although African rice production has increased by nearly 20 percent since 1975, production has fallen further behind consumption every year. In 1970, 13 African countries were self-sufficient in rice; *Egypt* exported more than 600,000 tons and *Madagascar* 68,000 tons. By 1984, Africa as a whole produced only about 65 percent of the rice it consumed, and

25X1

25X1

25X1

25X1

Secret

Secret

Egypt—no longer a significant exporter—was the only self-sufficient producer. Widespread government policies of supplying cheap rice to urban areas—paid for by earnings on commodity exports, increased borrowing in international financial markets, and food aid programs—have proved difficult to reverse as fiscal deficits have become more burdensome in recent years. Average population and urbanization growth rates in major rice-consuming African countries are 3 percent and 6 percent, respectively—among the highest in the world. In many countries—*Nigeria, Liberia, Cameroon, Ghana, Senegal, Burundi, Sierra Leone, and Ivory Coast*—rice has become an important food for the salaried population.

#### Stemming the Tide

Some African countries are taking steps to limit rice consumption and stimulate production in an effort to rein in their foreign exchange outflows for imported rice:

- *Malagasy* rice imports were reduced from 357,000 tons in 1982 to 100,000 tons in 1984 as a result of increased producer prices, more liberal procurement policies, and IMF restrictions on commercial imports, according to Embassy reports.
- The *Nigerian* Government has reduced imports significantly, from an average 581,000 tons per year in 1978 through 1983 to 450,000 tons this year. Acreage allotted to rice cultivation more than doubled and production rose nearly 120 percent during the same period in response to government incentives.
- The *Ivory Coast* recently raised the domestic retail price of rice 30 percent in order to cut consumption and raised the minimum producer price to encourage production, according to Embassy reports.

In other countries, progress toward rice self-sufficiency, while strongly advocated by the governments, is being held back in large part by shortcomings in the state marketing systems. In *Liberia*, the government marketing corporation lacks financial resources to buy domestic rice, as well as

milling and storage facilities for the new crop. *Monrovia* may be forced to give in to consumer demands for a significant price reduction or face increasing urban discontent. Embassy reporting indicates, however, that such a reduction would be likely to reverse recent production gains. *Tanzanian* and *Kenyan* farmers have reacted to lack of government incentives and the unwillingness of their governments to pass on production costs to urban consumers by selling portions of their crops in illegal channels outside the government marketing systems. Press reports indicate that as much as 35 percent of *Nairobi's* food supply may be produced and traded outside of the formal system. In *Tanzania*, the Minister of Agriculture has estimated that less than 25 percent of the rice harvest is sold to the state marketing board.

25X1

25X1

#### Outlook and Implications for the United States

Large African import needs come at a time of dwindling Asian export stocks. *Japan*, historically a major supplier of African rice needs on concessional terms, has only marginal stocks as a result of an acreage diversion program and will not be in a position to export in 1985. *India, Vietnam*, and the *Philippines*, which have been exporters in recent years, are now importers of significant amounts of rice.

25X1

Among the major exporters—*Thailand, Burma, and Pakistan*—supplies available for export will be significantly lower, according to USDA estimates, as a result of reduced production and very low stocks. *Taiwan*, with very large stocks of rice, will be limited to about 375,000 tons of exports, down from 530,000 tons in 1983, as the result of a 1984 trade agreement with the United States designed to curb exports of cheap rice to traditional US customers.

25X1

With these recent shifts in Asian export stocks, supplies of rice are expected to be very tight in the market segment where most of the increase in demand is likely to occur—the food-deficient-low-income countries. As a result, we expect greater pressure on the United States to increase rice shipments—especially through concessional sales and

25X1

Secret

Secret

aid donations. Pressures may be intensified by the fact that the United States has very large rice stocks—about one-fourth of the world export total. [redacted]

25X1

These demands are most likely to occur in strategic areas where the rice aid programs of the Soviet Union are operative—*Ethiopia, Mozambique, Ghana, and Madagascar*. We believe that the USSR, which recorded another bumper rice harvest this year, has substantial stocks and will continue its limited programs of rice food aid in Africa. [redacted]

25X1

Beyond 1985 we believe that spreading changes in rice production policies in most African countries where rice is an important staple will result in a gradual reduction in import dependence if rainfall is adequate. Budget concerns are overriding government uneasiness about raising urban prices, and resource allocations to the rural sector are increasing. The experience of *Nigeria*, where policies aimed at raising rice production have been in place for nearly a decade, has been encouraging. Such policies have succeeded despite constraints common to most African countries—corruption and disorganization in the bureaucracy, disintegration in the rural infrastructure, a lack of research and technology, and farmer cynicism about government farm policy intentions. [redacted]

25X1

25X1

Secret

## Guinea-Bissau: Looking Westward<sup>1</sup> [ ]

25X1

Guinea-Bissau gained independence from Portugal in 1974 after a 14-year, Soviet-supported guerrilla struggle which helped spark the Portuguese revolution and the decolonization of all Portuguese Africa. Faced with a deteriorating economy and unworkable socialist policies, President Vieira's military regime has attempted since 1982 to attract economic assistance from the West that the Soviets have failed to provide. To this end, the US Embassy reports that moderates in the government have given freer rein to private enterprise and market forces; improved relations with the United States, Portugal, and other Western donors; softened Bissau's anti-Western rhetoric; and established a voting record more favorable to the West in international forums. In our view, the ability and willingness of Western governments, particularly that of Portugal, to keep providing crucial economic assistance will largely determine the extent of Bissau's continued evolution toward more pragmatic policies. US leverage is restricted by its modest bilateral economic aid program. [ ]

Bissau's turn toward moderation probably will be limited in scope and could be halted if Vieira cannot produce results. We believe that the regime's internal divisions will preclude the complete abandonment of socialist ideology and the elimination of Soviet influence, at least in the near term. Moreover, we believe that Bissau's hardline leftist faction probably will try to reassert its influence. At a minimum, we expect the Soviets to maneuver behind the scenes via financial support or active measures and use offers of

[ ] country study is geared to a common outline suggested by State Department's Africa Policy Bureau. The issues addressed are the country's Soviet connection; recent signs of Westward movement; reasons for moderation; leeway for further movement; and prospects for reduction in Soviet influence, economic liberalization, and a more balanced international posture. [ ]

military aid to improve the fortunes of the leftists. Moscow's unwillingness to help economically, however, will limit the degree to which Vieira or a successor regime will backtrack toward pro-Soviet policies. [ ]

25X1

### Background

In response to 500 years of Portuguese colonial rule, the African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC)<sup>2</sup> initiated a guerrilla war for independence in 1961. With strong Soviet backing, the PAIGC's campaign quickly became the most successful anti-Portuguese struggle in all of Lisbon's African possessions. By the early 1970s, according to US Embassy reporting, the PAIGC controlled much of the countryside and set up an effective civil administration, despite the presence of more than 30,000 Portuguese troops. A coup in Portugal in 1974 by officers last stationed in Africa and frustrated with the unending colonial war led to independence by 1975 for all Portuguese Africa. The PAIGC immediately established a socialist-leaning, one-party state that looked to the USSR as its principal benefactor. [ ]

25X1

25X1

In 1980, a coup by ethnic Bissauans ended the unusual political arrangement under which the two distinct sovereign states of Guinea-Bissau and Cape Verde were ruled by a single political party, the PAIGC. Economic domination by Cape Verdeans in Guinea-Bissau and their predominance in the party had led to discord despite close collaboration in the liberation struggle. The coup also was fueled, according to the Embassy, by resentment of

25X1

<sup>2</sup> Most of the PAIGC's intellectual and political leaders were from Cape Verde, a group of small islands 400 miles off the west coast of Africa. However, according to US defense attache reporting, guerrilla activities were confined to the Bissauan mainland, where most PAIGC soldiers and military leaders were recruited. [ ]

25X1

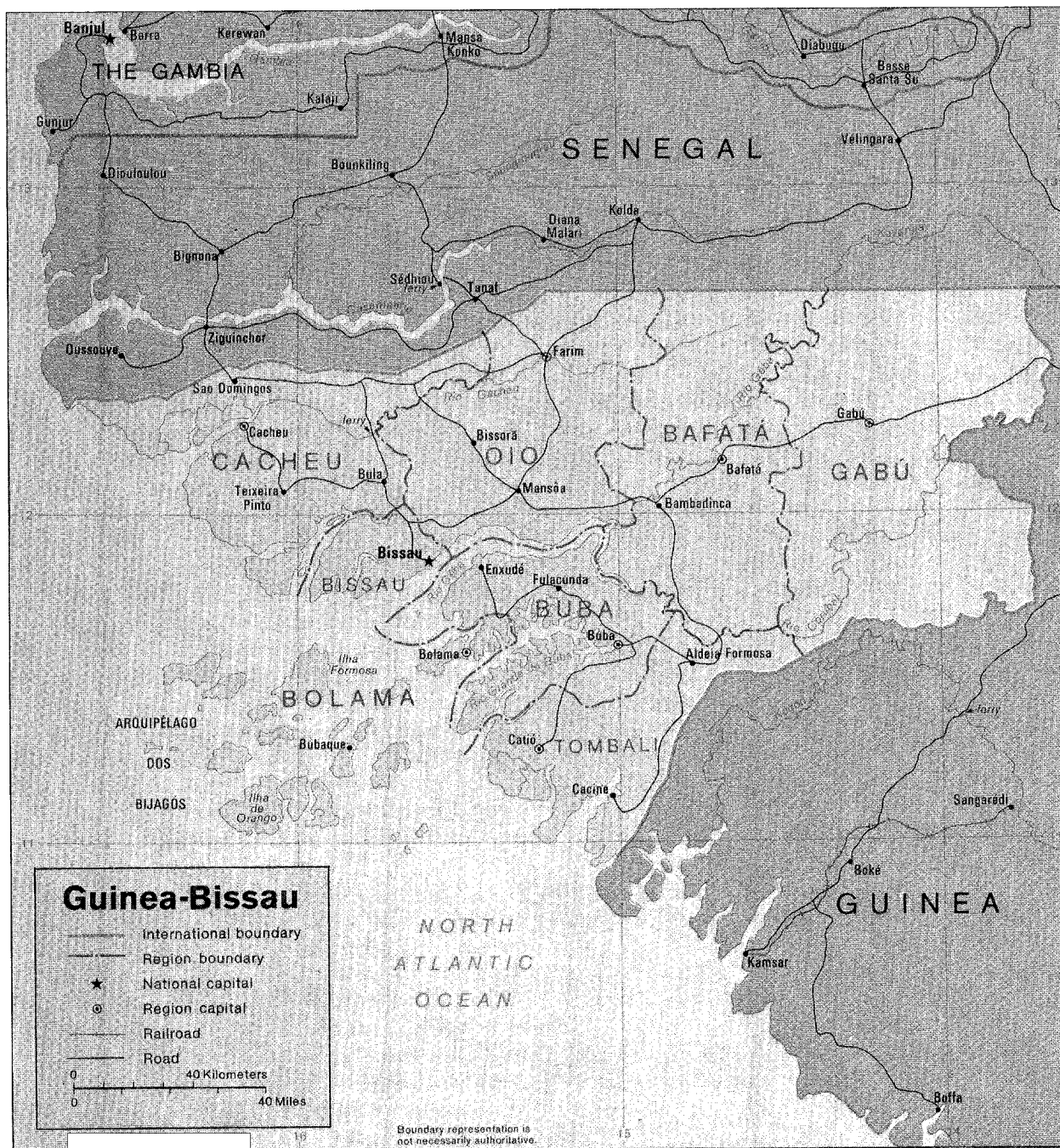
25X1

25X1

Secret

ALA AR 85-001  
11 January 1985

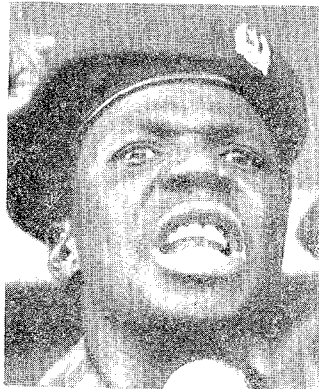
Secret



Base 505270 (A00771) 9-82

25X1

Secret



*President Vieira: leftist radical turns moderate*

corruption and steady economic deterioration under the state-dominated economic system. Power was transferred to Brig. Gen. Joao Bernardo Vieira, who in 1984 was elected President for a five-year term under a constitutional form of one-party government with an elected popular assembly. [ ]

#### **The Soviet Connection**

Senior Bissauan leaders, who participated directly in the guerrilla war against the Portuguese, feel indebted to the Soviets for Moscow's support of their independence struggle, according to the US Embassy. The colonial period left a legacy of suspicion against the West, which gave political support to Portugal—a member of NATO—during the guerrilla war. PAIGC leaders, many of whom the Embassy reports were educated in the Soviet Union, saw Moscow as the only foil to Western colonialism and sought to emulate socialist political and economic teachings following independence. [ ]

25X1

The Soviet Union continues to be the principal supplier of military assistance and Communist technicians and advisers to Guinea-Bissau. Since independence, Soviet arms deliveries have included MIG-17 and MIG-21 fighter aircraft, T-54 and PT-76 tanks, trucks, armored personnel carriers, and howitzers. The US Embassy estimates that there are 50 Soviet military advisers in Bissau, and perhaps 150 civilian technical advisers. The 350 scholarships offered by the Soviets to Bissauan students in 1983 exceeded the combined total of all Western academic and vocational scholarship assistance provided to the country. There are frequent exchanges of delegations



25X1

between Bissau's ruling party and the Soviet Communist Party, according to the US Embassy, and Vieira visited Moscow in 1981. [ ]

25X1

Soviet involvement in Guinea-Bissau, according to US Embassy reporting, is related in part to Moscow's hopes of obtaining formal military air and naval access rights, which successive Bissauan governments have refused to grant. [ ]

25X1

[ ] far closer to the mid-Atlantic shipping routes they seek to monitor. Such access also would give Moscow a forward supply facility for aircraft and ships en route to southern Africa. [ ]

25X1

25X1

25X1

Since 1981 [ ] the Soviets have undertaken extensive improvement of Bissau's main airfield, which when completed will be capable of supporting large civilian and military aircraft. The improvements are similar to work that is under way at two remote airfields in Mali. The US Embassy in Bamako believes the improvements are being undertaken for contingency purposes in hopes that the airfields could be used if required to help transport major Soviet arms and supplies to client states in southern Africa or even in Latin America. [ ]

25X1

The US Embassy reports that other Soviet objectives in Guinea-Bissau include keeping the country in the African socialist camp, assuring continued Bissauan



Secret

**Guinea-Bissau: Selected Financial Indicators**

	1980	1981	1982	1983	1984
<i>Million US \$</i>					
Exports (f.o.b.)	11.3	13.9	11.8	8.6	20.7
Imports (f.o.b.)	61.1	52.0	69.4	57.1	69.5
Trade balance	-49.8	-38.1	-57.6	-48.5	-48.8
Current account balance	-26.4	-23.1	-35.2	-25.1	-27.5
Gross foreign reserves	NA	15.1	8.4	7.6	9.1
Disbursed debt outstanding	64.6	96.3	134.7	163.1	193.0
<i>Percent</i>					
Real GDP growth	NA	18.0	4.2	-5.1	5.9
Inflation (GDP deflator)	NA	11.6	16.5	23.4	52.9
Debt service ratio	16	8.6	22.5	26.4	51.2

Note: Data from open sources.

support of Soviet positions in international forums, and upgrading presently limited trade ties. The Soviets also value continued access to rich fisheries off Guinea-Bissau, according to Embassy reporting. [ ]

**Tentative Moves Westward**

Since 1982, according to the US Embassy, signs of change have been evident in Guinea-Bissau that are positive to US and Western interests. Domestically, the Vieira government had begun to modify unworkable Marxist economic policies to give more scope to market forces and to private enterprise. Ties have warmed with Portugal, the United States, and the European Community generally. At the same time, relations with the Soviets, who retain a privileged position, have lost some of their former intimacy. The result, the Embassy reports, is a somewhat more balanced and pragmatic foreign policy than heretofore, with Western observers

holding out hope that Bissau's voting pattern in international forums will begin to take Western concerns into greater account. [ ]

**Pressures for Change.** We agree with US Embassy reporting that Vieira has been forced to modify his country's socialist policies and to turn more to the West primarily in search of additional, desperately needed aid. Bissauan leaders gradually have come to understand that their country could not get out of its economic rut without substantially greater foreign economic assistance. Moreover, as Bissau began to plead for more aid five years ago, Western donor governments and financial institutions responded with skepticism and urged that the country first begin to consider economic reforms that would enable it to make better use of international assistance. As a result, according to the Embassy, the government by 1982 began to reevaluate its previous economic, financial, and commercial policies with an eye toward making major adjustments in the socialist economy. [ ]

Independence leaders inherited an economy that was devastated by war and left undeveloped by the Portuguese. Then, as now, the country found itself dependent on the production of peanuts and fishing for meager export earnings, with most of the population of 842,000 engaged in subsistence agriculture. The US Embassy points out that misguided socialist economic policies in the 1970s, and factors out of the government's control, such as world economic recession and prolonged drought, left Bissau in no better shape than at independence. The country has experienced a decade of disappointing economic growth, low agricultural productivity, and chronic balance-of-payments deficits. Debt service in 1983 consumed 60 percent of foreign exchange earnings and per capita income totaled only \$182. [ ]

The US Embassy reports that growing strains in relations with Moscow have added to Bissau's willingness to turn Westward and to experiment with more market-oriented policies. As has been the case

Secret

Secret

with most other African states, Moscow has proved unwilling to take on Bissau as an economic client. Bissau's claims that the Soviets have not abided by the terms of a bilateral fishing agreement, according to the Embassy, underscore the growing belief that the country's commercial and trade relations with the Soviets have been one sided. [ ]

[ ] support, repair, and training provided by Moscow. For example, Soviet-supplied MI-8 helicopters are grounded for lack of spare parts. [ ]

### Signs of Change

**Moderate Reformers and Economic Change.** Key indicators of change in Guinea-Bissau, according to US Embassy reporting, are the ascendancy of moderates in the Vieira government and the regime's adoption of a potentially significant program of economic reform. In a series of Cabinet shuffles since 1982, Vieira has successively removed ministers known or suspected to be opposed to more pragmatic policies. More moderate individuals possessing needed economic and technical skills now hold key economic and financial portfolios. Despite a purge in 1984 in which former Prime Minister Saude Maria was sacked for alleged coup plotting, Vieira kept on Saude Maria's colleague, Finance Minister Montero, largely because he had the confidence of international financiers. [ ]

Bissau has adopted an economic stabilization and development program covering the 1983-86 period. According to government planning documents, the program aspires to reduce budget deficits and debts, improve the performance of parastatals, give more leeway to private enterprise, and stimulate the production of food and cash crops. The US Embassy reports several other steps, including a more flexible monetary policy that has been introduced by devaluation of the currency, initially by 50 percent in terms of the US dollar, with weekly adjustments of 1 percentage point since January 1984. Spending has been reduced through a governmentwide hiring freeze and restrictions on nonpriority expenditures. Prices

paid to agricultural producers have been increased from 77 to 144 percent, and there have been major increases in prices of consumer goods to reduce the country's import bill. Moreover, the government has authorized private retailers to engage in trade activities. These moves have led to a \$1.8 million IMF first credit tranche and a \$6 million World Bank credit to revamp the bureaucracy. [ ]

25X1

**Warming Relations With the United States and Portugal.** Senior Bissauan leaders have shown interest in increased cooperation with the West as they have come to recognize the seriousness of their country's economic plight. Aid provided by Portugal and the United States has contributed to the warming trend, even though US bilateral aid has dropped from \$8.4 million in 1981 to \$2.6 million for the current program. Portugal claims to have provided \$53 million in development assistance since Bissau's independence. The Vieira government has publicly pledged to deal with any foreign government willing to help, except Israel and South Africa, and the President is seeking an official invitation to visit the United States. [ ]

25X1

Relations with Portugal, Bissau's principal bilateral source of assistance and its main trading partner, have improved considerably in recent years. Vieira visited Lisbon in 1984, reciprocating President Eanes's visit to Bissau two years earlier. In 1984, [ ] for the first time since independence, Bissau permitted a port call by a Portuguese warship. The Vieira government has also accredited Portuguese and French military attaches, according to the defense attache, and has received some military training and materiel from Lisbon and Paris, including a grant of a French Alouette II helicopter. [ ]

25X1

25X1

25X1

25X1

A senior Bissauan official recently praised Western economic development assistance, particularly aid cooperation involving the United States and Portugal. The two countries are providing technical assistance, training, and feasibility studies to help revitalize the private sector's role in the economy. Initial working capital also will be provided for an agro-industrial credit facility. Washington also has begun a modest

Secret

Secret

of military training for Bissauans in the United States. [ ]

**Less Intimate Soviet Ties.** Although the Soviets still enjoy a privileged position in Bissau, the US Embassy reports that irritations in the relationship have led to steadfast rejection of Soviet blandishments for increased access to port and air facilities. [ ]

[ ] interpersonal frictions between Soviets and Bissauans have further soured the relationship. According to the Embassy, some observers believe the government's reluctance to proceed with a Soviet-proposed bauxite mining facility reflects Bissau's fear that Moscow would use the project to introduce more personnel into the country. [ ]

Bissau may revoke its deepwater fishing agreement with Moscow because of Soviet poaching, and grant these rights to the Chinese instead. [ ]

**International Stance.** The change also is evident in Bissau's international outlook. The US Embassy believes that the regime is beginning to understand that it must reciprocate the West's gestures if it hopes to retain Western confidence. In recent meetings with US diplomats, for example, Bissauan officials have expressed a greater willingness to take account of US sensitivities in international forums, as reflected in changes in Bissau's voting in the United Nations on issues of key interest to the United States. The local press also has begun to carry fewer Communist-supplied items with excessive rhetoric and now uses some Western wire service material as well. [ ]

#### How Far Can Bissau Go?

**Political Considerations.** In our view, the balance of power between pragmatists and hardliners within the government and ruling party will be crucial to the continuation of Bissau's moderating trend. We agree with the US Embassy that Vieira has outmaneuvered his rivals and appears to be in control at least for now. The US Ambassador believes that leftists have not recovered from recent purges and that Finance Minister Montero and other moderates will continue to work to improve ties with the West. [ ]

We believe Vieira and his fellow moderates will have to contend with continued maneuvering and foot-dragging by hardliners who have maintained their

traditional contacts with the Communist Bloc. In our judgment, leftist ideologues probably are reluctant to jeopardize their revolutionary credentials, have a vested interest in the existing parastatal system, and may fear that economic reforms could prove too economically and politically painful over the short run for the regime and populace to bear. Delegates to Bloc functions have embarrassed Vieira with their habitual blasts at the United States, according to the US Embassy. Chief among these individuals is Vasco Cabral, who recently was named Minister of State at the Presidency for Economic Affairs, and who was a prime mover behind the country's original Marxist economic development policies. [ ]

**Western Response.** Our analysis suggests that the willingness and ability of the West to provide additional aid will influence the extent of moderation on Bissau's part and the possible curtailment of Soviet influence. The Vieira government told Western representatives at a roundtable donors' conference in 1984 that it needed at least \$648 million if the economic stabilization and development program was to work. So far, according to the US Embassy, Western donors have earmarked approximately \$60 million in economic aid over the next four years. [ ]

Portugal has been the most active Western power in Bissau, according to the US Embassy, but its focus is heavily on cultural aspects of the relationship. Portugal's own underdeveloped and depressed economy, along with competing demands of other former Portuguese African colonies, ultimately restrict Lisbon's ability to increase its economic and military aid. [ ]

[ ] Joint Portuguese and US aid projects are designed to lapse in a few years and will not give Lisbon and Washington a long-term position of influence in Bissau, in our view. In addition, we believe the limited market potential for Portuguese and US companies probably will work against a significant increase in trade and investment. [ ]

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Secret

Secret

**The Soviets.** In our estimation, Vieira is mindful of Soviet sensitivities and probably calculates that he cannot move Westward too quickly for fear of jeopardizing Bissau's major arms supply, which could spark grumbling within the armed forces. By all accounts Western military aid only supplements, and is a long way from replacing, Soviet patronage. [ ]

We believe Moscow will monitor Vieira's flirtation with the West and economic reform carefully, while tolerating a certain amount of change so long as Bissau stays within acceptable limits. In our view, the Soviets probably are resigned to Bissau's acceptance of Western largess, realizing the limits of the USSR's ability to provide economic aid to developing nations in a region of only secondary importance to Moscow. Some Soviet writers recently have suggested that acceptance of Western aid does not interfere with the developing countries' ultimately becoming Communist. These writers also suggest that LDCs inevitably will look to the USSR as a counterweight to the forces of imperialism and that the Soviets should exploit such opportunities as they arise. [ ]

At a minimum, we expect the Soviets to maneuver behind the scenes via financial support or active measures and to use offers of new military aid to improve the fortunes of the leftists. [ ]

[ ] in late 1984 the Soviets delivered four MIG-21 fighter aircraft to replace MIG-17s which crashed earlier in the year during a maritime border dispute with Senegal. The Soviets also might resort to thinly veiled threats to try to scare Bissauans back into the fold. Portuguese technical advisers attached to various government ministries in Bissau include a number of Portuguese Communist Party members, [ ]

#### Outlook

**Most Likely Outcome.** In our view, the most likely scenario for Bissau will be for Vieira and his fellow moderates to continue to pursue economic reforms and improved ties with the West cautiously. In our judgment, the regime lacks a strong alternative option at this stage which, coupled with popular expectations

of benefits to come, argues for continuing policies already set in motion. [ ]

Even so, we believe that Bissau's turn toward the West under Vieira or any successor regime probably will be limited in scope and pace. We expect future economic reform will entail only as much change as the regime believes necessary to encourage Western donors. In our estimation, Bissau's leftist heritage and the need to keep the country's various factions in check will forestall the complete abandonment of socialist ideology or the elimination of Soviet influence. Although Bissau may soften its stance on some issues in the United Nations to avoid antagonizing the United States directly, we suspect the country's voting pattern will continue to be driven more by a sense of solidarity with the Nonaligned Movement and African progressive states and by a desire to avoid direct involvement in East-West controversies. [ ]

**Alternative Scenarios.** IMF economic adjustments will require more austerity and popular sacrifice over the near term. In our estimation, failure of present policies to noticeably improve already limited living standards will pose risks for Vieira. The President could become more vulnerable to leftist ideologues in the government or face enough general discontent to spur a military coup. Should Vieira fall prey to growing leftist influence but still manage to cling to power, we believe the regime probably would begin to reevaluate what Bissau has gained from economic reform and closer ties with the West. [ ]

In our view, however, disillusionment with the West would not automatically force Bissau back into the fold of the Soviets or orthodox socialism. The inconsistency between Soviet words and deeds—rhetorically encouraging socialist-oriented development while providing little economic assistance to do so—has not been lost on Bissauans. We suspect it is more likely that the tone of relations with the West and IMF would harden and be reflected both in Bissau's behavior in international forums and in a reluctance to dismantle the socialist economy further. [ ]

25X1

25X1

25X1

25X1

25X1  
25X1

25X1

25X1

25X1

25X1

Secret

Secret

Should Vieira be ousted by the military, we believe that the policies of a successor regime would depend to a great extent on the rank, ideology, and political maturity of the coup leaders. A period of stumbling and chaos could ensue regardless of who takes over. In our view, the Soviets probably would try again to gain at least greater rhetorical support from Bissau in international forums and would again attempt to use their military relationship with Bissau to try to obtain naval and air access rights. We would expect, however, that there would still be some Bissauan nationalists who would want to try to keep the Soviets at bay. In addition, Bissau's new rulers would face much the same economic quagmire as their predecessors. We would expect them to encounter pressures to eventually come to some sort of terms with the West in search of needed economic aid.

25X1

25X1

Secret

Secret

**Zimbabwe: Election Dilemma** 

25X1

A heated debate is now under way within the Zimbabwe African National Union (ZANU) over the timing of national elections required under the Constitution by April 1985.<sup>1</sup> Prime Minister Mugabe wants the voting to take place in the early spring, but several ZANU officials believe the party will not be prepared, either technically or politically, to hold the elections.

In a yearend speech, Mugabe publicly announced that elections would be held "in late February or sometime in March." Mugabe also announced that Parliament—which will reconvene in mid-January—would be dissolved at the completion of its current session, a constitutional prerequisite to holding the elections.

**Obstacles to Early Elections**

Despite his desire to abide by the constitutional deadline, negotiated in the 1979 independence talks mediated by the United Kingdom, Mugabe faces substantial opposition from key party leaders who want to delay the elections.

the consensus expressed during a recent ZANU Central Committee meeting was that the party would not win enough seats to pursue its longstanding goal of establishing a one-party state.

The Central Committee believes ZANU must win at least 75 to 80 percent of the vote in order to secure a mandate for a one-party state.

In addition to internal opposition within ZANU, Mugabe faces major problems related to procedural and security concerns. Voter registration is behind schedule and continues to lag in many areas, according to a Central Committee report. In addition, it is unlikely the newly formed delimitation commission will have time to set up equally apportioned electoral districts—80 for blacks and 20 for whites—before Mugabe's March deadline, according to Embassy reporting. Some observers believe it would take up to 18 months for the commission to finish its work. According to the US Embassy, Mugabe may be unaware of the extent of these problems because his subordinates appear unwilling to present him with the bad news.

Government security officials also cite the security situation in Matabeleland and Midlands Provinces as another reason for postponing the elections. Munangagwa has accused armed dissidents of Joshua Nkomo's Zimbabwe African People's Union of organizing a campaign of violence directed at ZANU supporters. Home Affairs Minister Mubako recently has said the government will have to increase the number of security forces substantially to provide adequate security during the elections.

**Outlook**

Mugabe could delay elections by up to one year through the use of his emergency powers but at the cost of reneging on his public commitment to an early vote. ZANU undoubtedly will win an electoral majority because it has the support of most Shona speakers, who comprise 70 percent of the population, but Mugabe's insistence on an early election date

Secret

ALA AR 85-001  
11 January 1985

Secret

would leave his party ill prepared to capitalize fully on the electoral strengths of its incumbency. Hastily drawn constituency boundaries probably would not maximize ZANU's vote-getting potential.

Alternatively, a repetition of the 1980 election, in which voters cast their ballots for single-party slates on a provincial basis, probably would overstate ZAPU's strength in Matabeleland Province and parts of Midlands Province. If Mugabe does schedule early elections, he is likely to rely on strong-arm tactics to intimidate his opponents. ZANU cannot afford a large vote for opposition parties, which would be both politically embarrassing and a setback for the goal of creating a one-party state.

25X1

25X1

Secret

Secret

## Angola: Luanda Draws Closer to Belgrade

25X1

Developments in Angolan-Yugoslav relations over the past 12 months indicate Angolan President dos Santos is making a concerted effort to strengthen Luanda's ties to Belgrade.

Dos Santos on several occasions has expressed his personal admiration for Yugoslavia as a model of a state developing along an independent path to socialism, as well as a country pursuing nonalignment freer of pro-Soviet policy leanings than such countries as Cuba or Afghanistan. Moreover, Luanda can deal with Belgrade without undercutting its socialist credentials and blatantly annoying Moscow.

The warming trend in Angolan-Yugoslav relations during 1984 was underscored by dos Santos's two visits to Yugoslavia. In April, the Angolan President was given red-carpet treatment during a three-day visit. Dos Santos held talks with top government and party leaders, and at the conclusion of the visit a communique was signed calling for closer relations between the two countries.

A second, and potentially more significant, trip took place in August. Billed as a "private and friendly" visit, President dos Santos nevertheless met with Yugoslav leaders. "Private" visits to Yugoslavia during the late summer are routine for several leaders of prominent, independent Communist parties. The Yugoslavs and their guests use these visits to compare notes and strategy on a wide variety of international problems, including trends in the world Communist movement and the Nonaligned Movement. At times the scope and tone of these talks are not to Moscow's liking. For example, Enrico Berlinguer, the late leader of the Italian Communist Party, visited Yugoslavia every summer for talks that frequently stressed the independence of the Italian and Yugoslav parties.

The visit of Dobroslov Culafic, Yugoslav Minister of Interior, to Angola in February probably set the stage for the dos Santos visits. Culafic is an influential

member of the inner circle of leaders in Belgrade. A protocol calling for closer party cooperation and contacts was signed at the end of Culafic's talks.

Confirmation in late 1984 that an Angolan military attache has been assigned to Yugoslavia may add an important dimension, as his arrival could presage more Angolan weapons purchases from Yugoslavia. Belgrade produces high-quality weapons that Luanda needs to carry on the civil war against Jonas Savimbi's National Union for the Total Independence of Angola, including small arms, munitions, artillery, combat vehicles, and aircraft. The Yugoslavs also have been awarded contracts for several military-related construction projects. Additional military sales to Angola might gain Yugoslavia access to Angolan oil on favorable financial terms—perhaps including barter arrangements.

Looking ahead, Angolan-Yugoslav cooperation—particularly in the Nonaligned Movement—could raise questions in the Kremlin. Luanda is slated to host a major ministerial meeting of the movement in September. Belgrade has indicated it would like to work closely with Angola in organizing that meeting, perhaps to thwart expected Soviet-sponsored Cuban efforts to influence the gathering along the lines of Moscow's policy objectives. Should Luanda accept Belgrade's assistance, dos Santos would be sending an unwelcome message to both Havana and Moscow that he is intent on pursuing a more independent foreign policy, despite Angola's critical dependence on Soviet and Cuban military assistance.

25X1

Secret

ALA AR 85-001  
11 January 1985



**Africa  
Briefs**

---

**Nigeria**

**Even More Austerity**

25X1

Head of State Buhari has unveiled a more stringent budget for 1985 as his beleaguered military regime begins its second year in power. Recurrent spending has been reduced to \$7.1 billion from \$7.9 billion in 1984, a drastic cut in view of an official inflation rate of 40 percent. In his budget speech, however, Buhari tried to emphasize positive aspects by noting increased spending for education and "adequate funding" for the armed forces, an apparent effort to please two of several groups that could threaten the regime. The budget still allows for spending on several economically questionable, but politically prestigious projects, including the new federal capital at Abuja, steel projects, and a petrochemicals complex. The government's projection that 69 percent of revenue for the budget will come from oil earnings is based on production of 1.3 million barrels per day sold under the current pricing structure, but this structure may not hold for long.

25X1

Rumors of coup attempts are sure to persist as Nigerians face another year of austerity. Opposition to Buhari from within the armed forces could mount from those who were looking for a revitalization of the economy and more funds for the military. An ongoing wage freeze and rising prices will lead to greater dissatisfaction among workers. Businesses are being squeezed by import restrictions and unemployment probably will continue to rise. Students, who have been denied food subsidies, are another source of potential unrest.

25X1

**Angola**

**Ruling Party Conference**

25X1

The Popular Movement for the Liberation of Angola will hold its first national party conference from 14 to 19 January in Luanda. Although press reports suggest the conference will only make preparations for a party congress later this year, we believe that the President and party chief dos Santos will use the occasion to address problems arising from growing tensions within the ruling party. According to the Angolan media, tensions among party rank in file surfaced last November at the 15th party central committee meeting over ill feeling between those cadre trained abroad in socialist countries and party members who remained at home. The dispute probably reflects longstanding strains between blacks and mulattoes and tribal rivalries. The conference also may follow up on the central committee's call for an end to preferential treatment for foreigners in Angola—an indirect public acknowledgment that Cuban and Soviet access to privileged housing and food supplies has become an increasingly galling irritant for many Angolans.

25X1

**Page Denied**

**Secret**

**Secret**